

PREPARED BY KATHY KINDSEY
AMENDED

MINUTES
Policemen's Pension and Relief Fund
Thursday, November 12, 2009
9:00 a.m.

On Thursday, November 12, 2009 at 9:00 a.m., a meeting of the Board of Trustees of the Policemen's Pension and Relief Fund of the City of Little Rock, Arkansas was held in the Sister Cities Conference Room at City Hall.

PRESENT:	Bruce Moore	Chairman
	Farris Hensley	Secretary
	Sara Lenehan	Treasurer
	Lee Harrod	Member
	Brad Furlow	Member
	Mike Lowery	Member
	David Rowan	Member

ABSENT: None

Also present were Mr. Larry Middleton and Mr. Bo Brister, Stephens Capital Management Financial Consultants for the Fund; Mr. John Peace, Dover Dixon Horne Law Firm Legal Consultants for the Fund; Mr. Roger Smith, Government Relation Lobbyist for the Fund; Mr. Bill Johnson, Mr. Ron Bullerwell, Mr. Brian McClung, Mr. John Farnam, and Mr. Steve Young, Retired Members of the Fund; Mr. Bill Lundy, Retired Little Rock Fire Fighter; Mr. Rick Robinson and Mr. Michael Chastain, Investment Adviser with MetLife; and Mrs. Kathy Lindsey, Pension Fund Administrative Staff.

Mr. Moore called the meeting to order at approximately 9:04 a.m., certifying that a quorum of the Board was present and that the media had been properly notified in a letter dated October 30, 2009 to the Arkansas Democrat Gazette. Mr. Moore stated that he needed to leave early and ask that the critical items be moved to the beginning of the agenda.

Mr. Moore asked that the Policemen's Pension Board defer their presentation to the City of Little Rock Board of Directors on November 24, 2009, due to the City Board being in a Budget Work Session. Mr. Moore suggested that the November 24th date be postponed until the 2010 Budget is settled and he should have a date to reschedule the presentation by the December 10th meeting.

Copies of the October minutes had previously been submitted to Board members, and following their review Mr. Harrod made a motion to approve the minutes. Mr. Furlow seconded the motion and it passed unanimously.

Mr. Moore called for discussion on the benefit increase and asked for recommendations from Mr. Peace on the Board's options. Mr. Peace stated that on May 8, 2008, the local Board adopted a resolution to approve a \$50 benefit increase. The resolution was then forwarded to Mr. David Clark, Executive Director of the Arkansas Fire & Police Pension Review Board, (PRB). A reply to the resolution dated September 16, 2008 from Mr. David Clark, states "this letter serves as authorization

for your fund to implement this benefit increase effective with the date of your resolution. Notice the date of implementation is different from the January date listed in your resolution. Under PRB Rule 2, a benefit increase may be retroactive to the date of the local board's resolution, which was May 8, 2008." Mr. Peace continued with the events that had been brought forth up to date.

Mr. Hensley asked Mr. Peace for his opinion on the language and terms used on the responsibility of this Board subsequent to the PRB's certification. Mr. Hensley also asked Mr. Peace to define Statute 24-11-102 (3b), which reads "the Board of Trustees of the Firemen's Relief and Pension Fund or Policemen's Pension and Relief Fund shall comply with the appropriate action as approved by the Executive Director". Mr. Peace stated he understood the statute to mean that the Board should comply with the September 16, 2008 letter from David Clark and subsequent correspondence that indicated the Board could defer the benefit increase before December 2009.

Mr. Moore asked Mr. Peace if this Board had the authority not to implement the benefit increase. Mr. Peace stated there is a previous dated standing resolution in December 2008 in which Mr. Furlow made a motion to amend the benefit increase resolution to defer the effective date no later than December 2009 and to implement the increase providing the market does recover. He stated the motion passed unanimously and to change that motion would take the majority of this Board to do something different. Mr. Moore asked Mr. Peace if the Board had the authority not to implement the increase by a majority vote. Mr. Peace responded "yes, it does".

Mrs. Lenehan distributed copies of the standard bi-annual 2008 Actuarial Valuation prepared by Osborn, Carreiro & Associates, which the local pension fund received from PRB regarding the funding progress of the pension fund. The evaluation stated the Little Rock Police Pension Board's income does not meet or exceed the necessary employer contribution. The evaluation stated the funded percentage is not at least 97% and there are not enough assets to cover the following: all active member contributions; all payments to current beneficiaries; and 100% of all future payments earned by active members. The evaluation also stated that the pension fund is not actuarially sound.

Mr. Harrod stated that this fund has never been actuarially sound. His definition of actuarially soundness is that there must be enough money in the fund to pay all benefits for the lifetime of members without having anymore revenue which is \$4.3 million annually. Mr. Hensley asked Mrs. Lenehan if she could supply the Board with an accurate market value of the fund in 1999, because he felt the figures supplied to PRB were inaccurate.

Mr. Furlow said the "market value of plan assets" was \$76 million in 1999, \$59 million in 2001, \$61 million in 2003, \$59 million in 2005, \$66 million in 2007, \$50 million in 2008, and \$46,445,000 as of October 2009, with \$24,203,000 being allocated to DROP. He stated that the fund is in "deficit spending". The fund has annual revenue of approximately \$5 million with expenditures of \$9 million. With a negative \$4 million a year and \$22 million in the fund; he doesn't believe we should add another \$180,000 to \$200,000 to that deficit. Mr. Furlow stated his fiduciary responsibility is to maintain the fund so that the benefits can continue.

Mr. Harrod questioned the \$9 million that Mr. Furlow reported was paid annually. He stated \$2 million of that were DROP withdrawals and pension checks totaled \$6.7 million. The fund receives \$4.3 million in reoccurring revenue, averaging 7¼% for the past 20 years, and if you add 2% to the \$24 or \$25 million in DROP, that is a total of \$7 million that this fund will receive. Mr. Harrod stated

the Fund has made money this year. He also stated that in 1999 the funded percent was 53.4%, 58.3% in 2001, 57.2% in 2003, 48.9% in 2005, 52.2% in 2007, and in 2008 the funded percent was 51.3%. Therefore, the funded percent has been about the same each year a benefit increase was given. Mr. Harrod stated this fund has never been actuarially sound.

Mr. Hensley stated that a \$125 benefit increase was given in 2007 and the funded percent was 50.8%, less than it was in 2008. Mr. Hensley told Mr. Furlow that the numbers he used of \$5 million and \$9 million were discussed in the last Pension Board Meeting. Mr. Hensley stated that it was Mr. Furlow's suggestion for Mrs. Lenehan to breakdown the DROP amount because when DROP distribution is calculated, it is not pension fund money. The \$9 million is with DROP included. Mr. Hensley believes Mr. Harrod's figures are accurate because he stated that the Fund distributes \$6 million in benefits. Mr. Hensley said that the Fund receives a little less than \$2 million and the expenditures are before any investment returns are calculated. Mr. Hensley stated with this being a closed fund and the average age around 70; the spending should be a deficit.

After a very lengthy discussion, Mr. Harrod made a motion to approve distribution of the implementation of the benefit increase certification by Mr. David Clark for the \$50 increase and to comply with the resolution as it was passed. Mr. Hensley seconded the motion. The motion failed with Mr. Hensley and Mr. Harrod voting to approve the increase and Mr. Moore, Mr. Furlow, Mr. Lowery, Mr. Rowan, and Mrs. Lenehan against.

Immediately following the vote, Mr. Hensley made a motion to poll the membership of the fund to see if they did or did not want to implement the \$50 monthly increase in benefits and to place the issue on the agenda for the December meeting. Mr. Harrod seconded the motion. After considerable discussion of what material would be included to help the membership better understand the issue, the motion passed unanimously.

Mr. Moore asked that the Lead Attorney for the Pension Fund and Review of Legal and Financial Professional Providers be tabled until December. Mr. Hensley stated that this was a critical issue and that he and Mr. Harrod had asked that another lead attorney be present and Mr. Moore had declined that request and this needed to be addressed. Mr. Moore commented that he had not declined another attorney that Mr. Hensley and Mr. Harrod declined it because of the expense to the Fund with more than one attorney present. Mr. Harrod did not want to table Agenda item 7 regarding a lead attorney. After considerable discussion, Mrs. Lenehan made a motion to table Lead Attorney for the Pension Fund and Review of Legal and Financial Professional Providers until the December 10, 2009 meeting. The motion was seconded by Mr. Rowan. The motion passed to table the two agenda items with Mr. Moore, Mr. Furlow, Mr. Lowery, Mr. Rowan, and Mrs. Lenehan voting to table the two items and Mr. Hensley and Mr. Harrod voting against tabling the two agenda items.

At approximately 10:20 a.m., Mr. Moore excused himself from the meeting and Mr. Harrod took over as Chair.

Mr. Middleton and Mr. Brister gave the October 2009 financial report and stated as of October 31, 2009 the market value of the total Fund was \$46,381,069, including accrued income of \$64,567 and \$24,203,024.64 allocated to DROP accounts. This represents a decrease in the account balance of \$1,832,963 since September 30, 2009. The component of this change was income of \$123,407, and net contributions/withdrawals of (\$445,032). Additionally, \$449,242.17 was held in the Metropolitan

Checking Account. The Funds overall market rate of return for the month of October 2009 was 2.78% and 4.96% calendar year to date.

Mr. Middleton stated this fund is managed more conservatively than other plans by virtue that this plan has variables that other plans do not have. *Mr. Rowan asked Mr. Middleton if the reason the pension fund was being managed more conservatively was due to the drop allocation being so large.* Mr. Middleton stated this fund has an average age of sixty five to seventy and is a closed plan where other plans average age is in the forties with an open plan; that causes it to be a different risk profile.

Mr. Smith discussed guaranteed funds and said this fund needs to look at resources available and see how those resources can be used to help the old plans.

Mr. Smith said City of Conway has now approached LOPFI to merge the police plan with a COLA. Mr. Harrod stated when Mr. Smith gives his presentation to the Board of Directors he should tell them about the City of Conway's desire to merge with a COLA. Mr. Smith said he and Mr. Carreiro have met and are getting ready for the presentation but he needs a little guidance on what the Board's wishes are for him to present. Mr. Hensley said to remind the Board of Directors about the 1991 resolution and the Board's desire to fund this pension fund.

Mr. Peace reported there is no new information concerning the benefit increase lawsuit. Mr. Peace did not have a date regarding the lawsuit as Mr. Overstreet is handling the lawsuit and he has been on a leave of absence.

The matter regarding distribution of premium insurance tax funding to larger cities was tabled until December.

Mrs. Lenehan submitted copies of the un-audited financial report for October 2009. Losses to the plan year-to-date through October 31, 2009 were (\$3,515,198). The report indicated that as of October 31, 2009, the total account fund balance including the DROP was approximately \$46,860,945. The net over-all loss for the month of October was \$2,207,693.

Also submitted were copies of the October 2009 expense and legal fee reports. Total expenditures, excluding benefit related expenses, were \$3,332 for the month. Total expenditures through October 31, 2009 were \$30,728.37. Legal fees paid were \$39,220.34 year to date through October 2009.

Following review of the October financial and expense reports, Mr. Lowery made a motion to approve them as submitted. Mr. Hensley seconded the motion and it passed unanimously.

Mr. Hensley made a motion to remove Ms. Eloise Keegan from the pension roll who passed away on October 29, 2009, and Lt. Maxie Alexander who passed away November 8. To approve a \$6,500 death benefit for Lt. Alexander and to extend the Board's condolences, to approve a widow's pension benefit for Ms. Wilma Alexander in the monthly amount of \$2,776.43. Mr. Harrod seconded the motion and it passed unanimously.

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Mr. Lowery reported on the payments of Ms. Eddeane Garrett. Mr. Lowery contacted the courts and has not received a call back from the probation officer. This matter has been tabled until December.

The \$50 benefit increase and distribution of annual police Supplement has been tabled until December.

Upon conclusion of Pension Board business, Mr. Lowery made a motion to adjourn the meeting. Mr. Hensley seconded the motion, and meeting adjourned at approximately 11:39 a.m.

PREPARED BY KATHY LINDSEY

Respectfully Submitted,

Farris Hensley
Board Secretary